Telia
Year-End Report
2000

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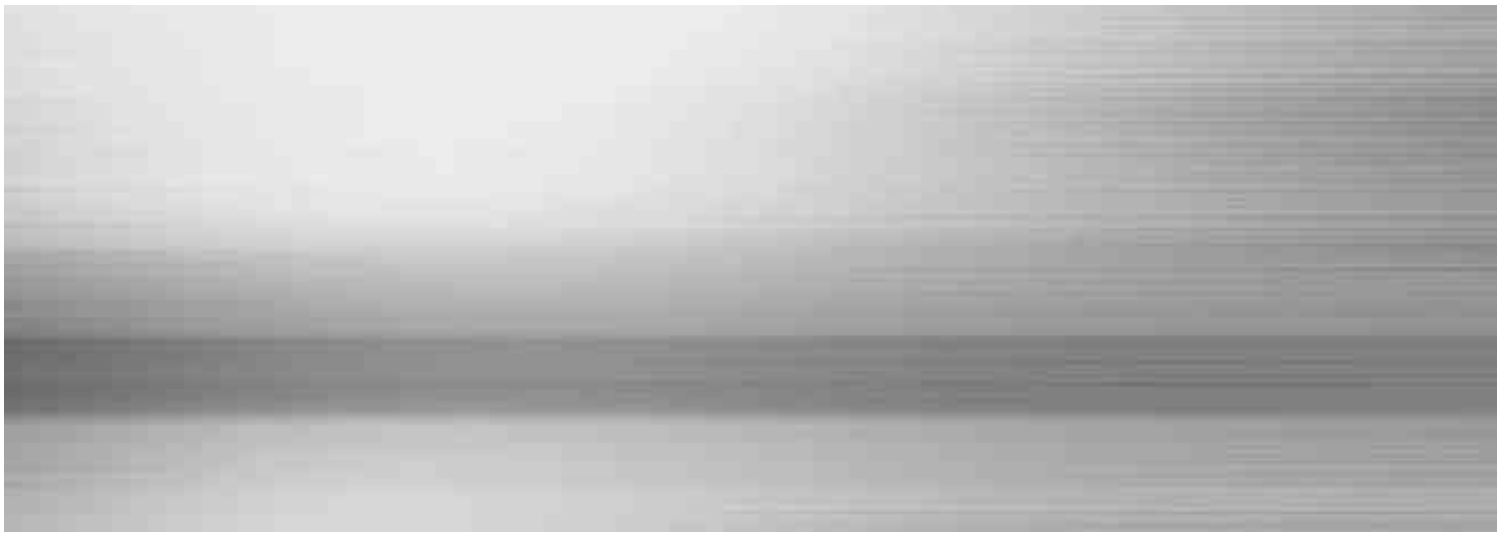

Telia
January–December 2000

- Strong sales in high-priority areas: Mobile Telephony +42 %, Network Wholesaling Sweden +62 %, International Carrier +32 %
- The Group's net sales totaled MSEK 54,064, an increase of 4.5 % for comparable units
- The positive EBITDA trend reported in the third quarter remains unbroken. Underlying EBITDA increased by 13 % in the fourth quarter, reaching MSEK 13,087 for the full year
- Operating income increased to MSEK 12,006 (MSEK 5,946)
- A Letter of Intent was signed with Tele 2 concerning joint construction of the Swedish UMTS network
- Letter of Intent in February 2001 on sale of the mobile operator Tess

Review of Group Earnings

MSEK	Oct-Dec 2000	Oct-Dec 1999	Full Year 2000	Full Year 1999
Net sales	14,540	14,887	54,064	52,121
Change in net sales (%)	-2.3	7.4	3.7	5.1
Underlying EBITDA	3,790	3,343	13,087	14,059
Underlying EBITDA margin (%)	26.1	22.5	24.2	27.0
Operating income	7,930	2,505	12,006	5,946
Income after financial items	7,658	2,445	11,717	5,980
Net income	7,408	1,755	10,278	4,222
Earnings per share (SEK)	2.47	0.62	3.50	1.48
Return on equity (%)	–	–	23.9	14.2
Investments	10,311	4,912	47,742	12,145
of which shares and participations	3,085	1,996	8,269	4,109

Summary

The Telia Group is reporting sustained robust growth in its high-priority areas. The dramatic increase in mobile customers (1,712,000) in Sweden, Denmark, Norway, and Finland generated a significant increase in net sales of mobile telephony (42 %). The Group acquired the Norwegian mobile operator NetCom ASA during the year, strengthening Telia's position in the Nordic mobile telephony market.

Despite deep price reductions and stiffer competition, margins were reinforced during the year in the company's traditional business, fixed telephony services in Sweden, with a significant improvement in fourth-quarter earnings. The company is now forecasting stabilization of the price structure.

Telia achieved a highly competitive market offering following the implementation of price changes. Price reductions during the year inhibited the Group's total net sales growth, which became 4.5 % for comparable units.

The international carrier network, the Viking Network, was expanded strongly and the various routes are now being brought into service. Successful marketing, competitive prices and the high quality of the network resulted in sharp increases in traffic volumes. Net sales rose by 32% during the year. The strong growth trends extended to the Swedish network wholesaling business, which is reporting an increase of 62 %.

Telia is now making extensive initiatives for the future in the areas of mobile communications, broadband, international carrier business, and portals.

Underlying EBITDA was MSEK 13,087, a decline of 6.9%. In the fourth quarter, underlying EBITDA rose by 13%, evidence that the positive trend begun in the third quarter is continuing.

Operations are being streamlined in order to focus energies on core business and future growth segments. In addition to the successful IPO of Eniro, some 15 other enterprises were divested during the year. The parties signed a Letter of Intent in February 2001 concerning the sale of the Brazilian mobile operator Tess to Telecom Americas. The divestiture will have a positive effect on earnings.

Consolidated operating income increased from MSEK 5,946 to MSEK 12,006, including capital gains and other non-recurring items totaling MSEK 8,338.

Total investments rose during the year to MSEK 47,742, primarily due to the strategic acquisition of the Norwegian mobile operator NetCom ASA and expansion of the international carrier network.

A decision has been made to implement a new Group structure as of 1 April 2001.

Sales

Consolidated net sales increased by 3.7 % compared with the preceding year. The increase was 4.5 % for comparable units. Net sales rose in the fourth quarter by 3.5 %. Growth was fueled primarily by strong sales increases in mobile telephony and vigorous demand in the international carrier business and Swedish network wholesaling. Prices were lowered by an average of 6.7 % during the year, meaning that consolidated sales volume rose by 12% for comparable units.

The number of mobile telephony customers in the Nordic region increased by an impressive 60% (1,712,000 new customers), from 2,841,000 to 4,553,000. The acquisition of NetCom ASA in Norway accounted for 773,000 of the new customers. Some 190,000 new mobile telephony customers were added in the fourth quarter. Net sales of mobile telephony climbed 42% during the year due to the burgeoning customer base, with the increase rising to 48% in the fourth quarter. Excluding NetCom ASA, sales growth was 21% for the year and 14% for the fourth quarter.

Deregulation of the European market and higher Internet usage are stimulating demand for transport of telephony and IP based services in the global carrier market. Net sales in the international carrier business escalated during the year by 32 % to MSEK 2,823. Net sales in the fourth quarter rose by 46 % to MSEK 888.

Deep price cuts (8.4%) and stiffer competition caused a 9.4% decline in sales of fixed telephony during the year in the Swedish retail market. Strong measures taken to regain customers combined with the effects of the carrier preselect reform that are now evident in the comparative figures stopped the decline in fourth-quarter net sales at 7.1%.

The decline in retail revenues was partially compensated through higher wholesale sales. Sales of network capacity and network services to outside operators and service providers rose by 62 % during the year. At 30 %, the increase was somewhat lower in the fourth quarter, due to the effects of the carrier preselect reform now evident in the comparative figures.

Demand for Internet access remains strong. The number of Internet customers in the fixed network increased during the year from 599,000 to 714,000 in the Swedish market, accompanied by a 27.1 % jump in net sales to MSEK 1,390 MSEK. The fourth-quarter increase in net sales was 34.5 %.

Net Sales by Business Area and Product Segment [1)]

	Oct–Dec 2000 MSEK	Full Year 2000 MSEK	Chg %	Full Year 1999 MSEK
Mobile				
Mobile telephony	3,437	11,318	42.0	7,971
Other	182	766	11.8	685
	3,619	**12,084**	**39.6**	**8,656**
Carrier & Networks				
International Carrier	888	2,823	32.1	2,137
Network wholesaling, Nordic countries	861	3,143	43.5	2,191
	1,749	**5,966**	**37.8**	**4,328**
Business/People Solutions				
Fixed telephony	5,213	20,777	-10.1	23,115
Leased lines	394	1,582	1.4	1,560
Data communications	466	1,815	-10.1	2,020
Internet	403	1,460	16.3	1,255
Other	787	2,459	3.1	2,384
	7,263	**28,093**	**-7.4**	**30,334**
Enterprises	**1,892**	**7,811**	**-11.0**	**8,778**
Group-wide	**17**	**110**	**n/a**	**25**
Total	**14,540**	**54,064**	**3.7**	**52,121**

1) For further information: www.telia.com, Investor Relations, Net Sales by Business Area and Product Segment (detailed information).

Demand for broadband was strong. As of year-end, the general agreements closed with rental property owners, building cooperatives and homeowners represented potential connection of 822,000 households to the fixed network. As the year drew to a close, there were 40,000 paying customers connected to Telia ADSL and LAN solutions.

As of year-end, Telia's cable television company, com hem, had agreements in place for the sale of 346,000 broadband connections through the cable television network. Some 193,000 customers were connected by the end of the year, including 22,000 with Internet subscriptions.

In the Enterprises business area, where a great many businesses were sold during the year, net sales increased by 11 % for comparable units.

Earnings

Underlying EBITDA

To show the trend in earnings in the Group's majority-owned core operations, the term "underlying EBITDA" is used, which describes operating income before depreciation, excluding non-recurring items and earnings from associated companies.

Underlying EBITDA for the year was MSEK 13,087, which is a decline of 6.9 %.

There was a strong 13 % increase in underlying EBITDA in the fourth quarter, however, evidence that third-quarter improvement in profitability is continuing.

Underlying EBITDA and Operating Income

MSEK	Oct–Dec 2000	Full Year 2000	Full Year 1999
Mobile	1,191	3,353	3,507
Carrier & Networks	1,978	7,679	7,872
Business Solutions	382	1,171	1,192
People Solutions	244	855	1,694
Enterprises	636	1,760	2,501
Group-wide	-641	-1,731	-2,707
Total underlying EBITDA	**3,790**	**13,087**	**14,059**
Depreciation and amortization	-2,427	-8,222	-7,652
Non-recurring items & pensions	6,937	8,338	-1,184
Share of earnings in associates	-370	-1,197	723
Operating income	**7,930**	**12,006**	**5,946**

Strong customer growth in mobile telephony in the Nordic countries entailed higher customer acquisition costs. Development of new services in Sweden, particularly investments in broadband access and services for the consumer market, also encumbered income, as did expansion in the global carrier market, since Telia is now building wholly owned networks in Europe and the United States.

Vigorous efficiency measures and higher wholesale sales resulted in higher margins for the year for the company's traditional business, fixed telephony services in Sweden, despite considerable price reductions and stiffer competition in the retail markets for Business Solutions and People Solutions. Underlying EBITDA could consequently be maintained at the 1999 level. The profit margin was further reinforced in the fourth quarter, when underlying EBITDA increased.

The decline in underlying EBITDA in the Enterprises business area is due to the divestiture of certain operations, primarily through the initial public offering of Eniro. The drop in underlying EBITDA for comparable units was approximately 6 %.

The sharp reduction in Group-wide costs is attributable to the conclusion of projects during the year, cutbacks in consultant services, and more extensive allocation of costs for Group projects to the business areas.

Earnings from Associated Companies

Earnings from associated companies during the year totaled MSEK -1,197, compared with the preceding year's earnings of MSEK 723. The loss is mainly attributable to Tess in Brazil and Eircom in Ireland.

Share of Earnings in Associated Companies

MSEK	Oct–Dec 2000	Full Year 2000	Full Year 1999
Netia Holdings (Business)	-47	-411	-327
Baltic States (Mobile/Business)	42	190	139
Unisource/AUCS (Business)	199	1,445	1,534
Comsource/Eircom (Business)	-133	-933	409
Telia Overseas (Enterprises)	-632	-1,719	-1,347
Eniro (Enterprises)	185	185	–
Other associated companies	16	46	315
Total	**-370**	**-1,197**	**723**

Netia. The company is in a build-up phase. The customer base demonstrated unabated strong growth throughout the year. The decline in earnings is attributable mainly to Telia having increased its stake in the company and to exchange rate effects. The company is sharpening its focus on business customers in order to improve profitability.

Baltic States. The mobile operators in the Baltic States and northwestern Russia are demonstrating strong growth in customer base and earnings. The total customer base swelled by 383,000 to 1,159,000 during the year. Fixed network operators in the Baltic States are preparing for future competition by rebalancing rates, developing IP based services, and implementing efficiency measures.

Unisource/AUCS. Earnings for the past two years are chiefly attributable to capital gains in connection with liquidation of companies within Unisource.

Eircom. The net result includes the costs of restructuring the company (MSEK -475). Telia intends to sell its interest in the company and to support Vodafone's bid to acquire Eircom's mobile company Eircell.

Telia Overseas. The decline in earnings is attributable chiefly to the mobile operator Tess, which is in a build-up phase. Directly and indirectly via Telia Overseas, Telia increased its share of equity in the company from 44.9 to 60.8 %. However, Telia does not have a sole controlling majority of votes, so the company has not been consolidated.

Eniro. Following the initial public offering in October 2000, Eniro carried out a number of acquisitions in Germany, Russia, and elsewhere, all within the framework of its growth strategy.

Non-recurring Items

Non-recurring items had a favorable impact on consolidated operating income in the amount of MSEK 8,338 (MSEK -1,184). Non-recurring items include capital gains of MSEK 7,856, of which MSEK 6,020 from the market listing of Eniro. Common pension commitments totaled MSEK 854, including a refund from SPP in the amount of MSEK 518. The remainder consists of the effects of revaluation of certain pension commitments.

Operating Income/Net Income

Consolidated operating income increased during the year from MSEK 5,946 to MSEK 12,006.

Consolidated net income after financial income and expense, taxes, and minority shares rose to MSEK 10,278 compared with MSEK 4,222 in the preceding year. Earnings per share increased from SEK 1.48 to SEK 3.50.

Financial Position and Cash Flow

The Group is in a healthy financial position. A new share issue was carried out during the year and NetCom ASA was acquired. The result was a robust increase in total assets accompanied by a decline in the asset turnover rate and interest coverage ratio compared with the preceding year.

MSEK	31 Dec 2000	31 Dec 1999	31 Dec 1998
Interest coverage ratio (multiple)	7.3	8.5	10.4
Balance sheet growth (%)	60.2	13.9	2.1
Asset turnover rate (multiple)	0.54	0.72	0.74
Equity/assets ratio (%)	44.4	41.0	41.5
Capital employed	92,374	50,936	43,440
Operating capital	75,042	39,160	34,921
Net interest-bearing liabilities	20,235	7,527	6,767
Debt/equity ratio (multiple)	0.37	0.24	0.24

Cash flow from current operations was consistent with the preceding year. Operating cash flow was impaired by the strong increase in net investments.

Investments were financed by outside borrowing on favorable terms and through the new share issue carried out during the year.

Investments

Investment by Type of Asset

MSEK	Oct–Dec 2000	Full Year 2000	Full Year 1999
Goodwill	41	22,893	335
Other intangible assets	326	509	373
Real estate	166	552	53
Machinery and equipment	6,693	15,519	7,275
Fixed telephony installations	*2,391*	*4,115*	*3,364*
Mobile telephony installations	*625*	*1,411*	*1,166*
Other machinery & equipment	*3,677*	*9,993*	*2,745*
Shares and participations	3,085	8,269	4,109
Total	**10,311**	**47,742**	**12,145**

Investments increased sharply compared with the preceding year, primarily due to goodwill of MSEK 22,758 in connection with the acquisition of NetCom. The company also made significant investments in the prioritized segments of mobile services, international carrier business, and broadband expansion in Sweden.

The company made significant investments in shares and participations, broken down as follows: MSEK 4,131 in mobile operations in Brazil and MSEK 700 in Russia, MSEK 2,021 for fixed network operations in Poland, and MSEK 402 in the portal company Scandinavia Online.

Acquisitions and Divestitures

Telia acquired 51 % of the Norwegian mobile operator NetCom ASA in late June. Following a public bid to other shareholders and a compulsory purchase executed in December, Telia owns all shares in NetCom.

In February, Telia acquired 29.5 % of the shares in Luxembourg-based First National Holding S.A., which has stakes in several mobile and fixed network operators in northwestern Russia.

Telia's operations in Finland were expanded in March with the acquisition of operations in Tietopuhelin, a nationwide retail chain with over 70 telecom stores.

Telia, Volvo, and Ericsson started a joint venture company during the year, with the partners holding equal stakes in the new associated company, WirelessCar Sweden AB, which develops wireless applications for the automotive industry.

In May, the U.S. subsidiary Telia Internet, Inc., acquired the operations of the Internet service provider (ISP) Apex Global Information Services, Inc. (AGIS).

In early April, Telia became the owner of 11 % of the shares in Netia 1 Sp. z o.o. The company, in which Telia's associated company Netia Holdings S.A. owns an additional 38 %, has been awarded a license for long-distance telephony in Poland. Telia increased its holdings in Netia Holdings to 48.1 % during the period.

In November, Telia and FöreningsSparbanken formed a joint company, with each partner owning equal stakes. Marakanda Marknadsplats AB will be developing e-business services.

Cable TV operations in Denmark were expanded in July through the acquisition of all shares in Jydsk Central Antenne A/S.

Additional shares in the Brazilian associated company Eriline Celular S.A. were acquired during the year, bringing Telia's share of equity in the company to 76.7 %. Eriline owns a small interest in the mobile operator Tess S.A., which operates in the state of São Paulo.

During the period, Telia Business Innovation acquired shares in several more small development companies. The company's holdings in Altitun AB were sold in May to the American company ADC Telecommunications, Inc.

In November, Telia, Skandia/If, and WM-data coordinated the respective parties' administrative internal service operations in the newly formed IN Ackuratess AB. Telia contributed its subsidiary IN good company AB and owns one third of IN Ackuratess.

The majority of the Group's fixed telephony operations in Norway were sold effective 1 January 2000 to Enitel ASA. The agreement called for the provision of certain services by Telia to Enitel throughout 2000.

The associated company Scandinavia Online AB (SOL) was listed on the OM Stockholm Stock Exchange in June. Following additional purchases in early July, Telia owns 24.6 % of the company's shares. The subsidiary Eniro AB was listed on the exchange in early October. Telia now owns 49.1 % of the company's shares.

Telia's associated company interests in the catalog production company Any Media Solutions AB and the Danish company Egmont Online A/S were sold in the second quarter. All shares in the subsidiary SVEFO Sverige AB were sold in late June, followed by the sale in late September of the company's remaining holdings in the Estonian subsidiary Starman Kaabeltelevisiooni AS.

In October, the company sold all shares in the subsidiary Telia Contracting AB, which conducts consulting business related to mobile telephony systems, and in November all shares in the partially owned subsidiary Smålandsbörsen AB, which deals with second hand computers.

Operating assets in the subsidiary Combinator IT AB, a provider of project management and technical integration in distributed IT environments, were sold in January 2001. Telia Trading AB, which sells and leases reconditioned telecom and datacom products, was sold in February.

A Letter of Intent was signed in February 2001 regarding the sale of the Brazilian mobile telephony operator Tess to Telecom Americas.

Employees

The average number of employees increased somewhat during the year to 30,307 (29,546) as of 31 December. Workforce increases were mainly in foreign operations.

Changes in Telia's Executive Management

On 12 October, Marianne Nivert was appointed as President and Chief Executive Officer of Telia after previously holding the position of Senior Executive Vice President with special responsibility for the Carrier & Networks business area. She succeeded Jan-Åke Kark, who stepped down from his position due to health reasons.

Bo Jacobsson, Telia's Head of Corporate Financial Control, previously CFO of Trelleborg AB and President of Scancem AB, was appointed Chief Financial Officer of Telia on October 13.

Telia Stock

On June 13, Telia's shares were listed on the A list of the OM Stockholm Exchange. At the same time, 150 million new shares were issued. The new issue provided a capital infusion to Telia of MSEK 12,429 after issue expenses. The IPO price was set at SEK 85 per share.

The Swedish state retained a 70.6 % holding of Telia after the company was listed.

Of the remaining stock, 21 % was owned by 847,000 Swedish private investors, 63 % by Swedish institutional investors, and 16 % by foreign investors, as of 31 December.

As of 31 December, the highest price paid for the share was SEK 94.00 and the lowest was SEK 46.90.

Annual General Meeting

The Annual General Meeting will be held 10 May at 4 p.m. in the Globe Arena in Stockholm. Notice will be posted on Telia's website, www.telia.com, and advertised in the newspapers in early April. Record date entitling shareholders to attend the AGM will be 30 April 2001. Shareholders may file applications to attend beginning 9 April. The deadline for applications is 4 May 2001 (received by Telia no later than 4 p.m.).

Dividend

The board of directors is proposing a dividend of SEK 0.20 per share. In addition, the board of directors is proposing an extra dividend of SEK 0.30 per share, owing to the positive result from divestitures in the Enterprises business area. The total distribution for a total dividend of SEK 0.50 per share is MSEK 1,501.

The board of directors proposes that 10 May 2001 be set as the final day for trading of the shares entitling shareholders to dividends and that the share be traded excluding dividend rights as of 11 May. The board proposes 15 May as the record date at the Swedish Securities Register Centre, VPC, for the right to receive dividends. If the proposal of the board of directors is approved at the Annual General Meeting, dividends are expected to be distributed by VPC on 18 May 2001.

Financial Information

Annual General Meeting	10 May
Interim Report Jan–Mar	10 May
Interim Report Jan–June	16 Aug
Interim Report Jan–Sep	7 Nov

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Review of Business Areas

Mobile

There was a very strong increase in the number of mobile telephone customers in the Nordic countries, from 2,841,000 to 4,553,000, including 773,000 gained through the acquisition of NetCom ASA, further reinforcing Telia's market position. The company began preparing during the year to offer GPRS services in the entire Nordic market, beginning in Sweden and Norway in the first quarter of 2001.

Mobile also intends to provide UMTS service throughout the Nordic countries, beginning in Norway in 2001. In order to gain rapid access to a UMTS license in Sweden and to reduce investment costs, a Letter of Intent was signed with Tele 2 concerning cooperative building of the UMTS network in Sweden.

MSEK	Oct–Dec 2000	Full Year 2000	Full Year 1999
Net sales	4,215	14,276	10,714
of which external	3,619	12,084	8,656
Underlying EBITDA	1,191	3,353	3,507
Operating income	549	1,571	2,458
Investments	1,223	25,814	1,318
Sweden			
Net sales	2,962	11,354	10,009
of which external	2,399	9,242	7,971
Underlying EBITDA	1,196	3,801	4,040
Investments	490	1,229	909
of which mobile telephony			
Net sales	2,907	10,904	9,645
of which external	2,333	8,871	7,556
Underlying EBITDA	1,234	4,011	3,970
Investments	452	1,108	845
Norway			
Net sales	866	1,669	–
of which external	859	1,655	–
Underlying EBITDA	251	472	-9
Investments	407	23,267	–
Finland			
Net sales	236	763	348
of which external	236	760	340
Underlying EBITDA	-100	-458	-262
Investments	93	274	104
Denmark			
Net sales	151	490	357
of which external	126	428	345
Underlying EBITDA	-145	-451	-262
Investments	179	246	263

Vigorous customer growth resulted in a 40 % increase in external net sales during the year. Exluding NetCom ASA, the increase was 20 %. Fourth-quarter growth, excluding NetCom, was 12 %.

Major developmental initiatives coupled with the costs of customer acquisition resulted in a moderate decline in underlying EBITDA during the year.

Shares in earnings from associated companies were MSEK 111 (MSEK 108) for the year. Associated companies in the Baltic States and northwestern Russia added 776,000 new customers during the year, bringing their total customer base to 1,159,000.

Operating income for the business area was MSEK 1,571, compared with MSEK 2,458 the year before. The result reflects depreciation of goodwill in the amount of MSEK 450 following the acquisition of NetCom ASA.

Investments amounted to MSEK 25,814, including MSEK 22,758 to accquire NetCom ASA. Other investments were mainly devoted to expansion of capacity in existing networks and preparations for GPRS and UMTS.

Mobile's strong position in the Nordic and Baltic regions and large customer base are shaping opportunities for synergy and economies of scale affecting network expansion and service development alike. Efforts to coordinate the billing systems were begun during the year.

Sweden - Mobile Telephony

External sales rose by 17 % for the Swedish mobile telephony business to MSEK 8,871. The increase is attributable to strong customer growth, higher traffic volume per customer, and low churn. The number of GSM customers increased by 728,000 to 3,076,000.

Usage of SMS, which is the gateway to more sophisticated mobile data services, increased by more than 300 % to 185 million messsages. Demand for DOF service rose as well, with the number of subscriptions climbing from 23,000 to 56,000 in the course of the year.

Prices were cut 6 % during the year. Lower prices and the burgeoning customer base, with a larger percentage of prepaid card customers, caused a softening of monthly average revenue per user (ARPU) from SEK 332 to SEK 308.

The business area cut back on marketing activities towards the end of the year and lowered discounts for terminals. Customer growth weakened slightly as a result and fourth-quarter sales growth peaked at 11 %, compared with the same period in the preceding year. There was also a slight decline in traffic volume per user during the period. ARPU for the fourth quarter was SEK 303, compared with SEK 304 in the third quarter.

Underlying EBITDA in Sweden was essentially unchanged from 1999. For the fourth quarter, underlying EBITDA was MSEK 1,234 compared with MSEK 1,284 the preceding year.

Compared with the third quarter, the fourth-quarter margin improved from 37 % to 42, primarily attributable to lower customer acquisition costs. A non-subsidized subscription, Mobitel Fri, was launched during the year.

Efficiency measures have been implemented, aimed at strengthening profitability in the Swedish operations.

The GSM network in Sweden was upgraded during the year with High Speed Circuit Switched Data (HSCSD) as a step on the path towards development of tomorrow's sophisticated mobile services.

As previously announced, the analog mobile NMT 900 network was closed for traffic in late 2000. However, the business area is still running NMT 450, which has certain advantages by virture of its superior coverage in sparsely populated and coastal areas.

Sweden, Other Business

In addition to mobile telephony, Swedish operations include contractor services for coastal and maritime radio and other miscellaneous services such as paging. The Swedish operations were charged with costs for projects and joint ventures run by the New Business unit aimed at developing new business concepts for mobile communications.

Other Nordic Countries

Positive trends for the Norwegian mobile operator NetCom ASA remain unbroken. External net sales rose by 7.9% in the fourth quarter, accompanied by a rise in the number of GSM customers from 810,000 to 850,000. ARPU sagged in the fourth quarter from SEK 351 to SEK 330 compared with the third quarter. In addition to its own customers, NetCom ASA also has 50,000 indirect customers through service providers that use the NetCom network. SMS message volume surged by more than 90 % to reach 311 million during the year.

The customer base in Denmark increased during the year by 127,000 to 297,000 and external net sales rose 24% compared with the preceding year. The number of customers in Finland increased by 116,000 to 149,000, generating a jump in net sales for mobile telehony from MSEK 70 to MSEK 364. The retail outlet business in Finland increased from MSEK 270 to MSEK 396 as a result of shop acquisitions. High customer acquisition costs held down earnings in both countries. In order to secure complete nationwide coverage in Denmark, the business area applied for and was awarded a GSM 900 license. In Finland, a roaming agreement with Radiolinja has made it possible for the business area to offer national coverage for its GSM services.

New Services

The business area launched a number of new services during the year, including two positioning services that are unique in the world: Gula Sidorna Nära Dig (a service that locates and guides users to businesses) and YachtPosition Nära Dig (a similar service tailored for boaters). Positioning is becoming a more important feature in new service development.

HomeRun service, which provides wireless broadband access at speeds up to 11 Mbit/s, was installed in some 80 hotels in Sweden during the year. An agreement was closed at the end of the year with SAS on the installation of HomeRun broadband service in all SAS international lounges.

The business area took on a new role during the year as a WASP (Wireless Application Service Provider) oriented towards developing industry-specific solutions for field personnel. Designed for use by health care and social services personnel, the first WASP service, Permitto Care, was developed in cooperation with the public home health care organization.

Another prioritized development area is m-commerce, which is essentially the use of mobile telephones to execute retail and payment transactions. The company began an m-commerce development partnership with Föreningssparbanken during the year.

The mobile portal Halebop developed in partnership with Oracle was also launched during the year. As of year-end, the portal had 362,000 registered customers.

The operator-neutral mobile portal Speedy Tomato was test-deployed in a number of markets outside Sweden. A partnership agreement was signed in February 2001 with the Italian company Olivetti Tecnost on the establishment of Speedy Tomato in the Italian market.

Carrier & Networks

MSEK	Oct–Dec 2000	Full Year 2000	Full Year 1999
Net sales	6,926	25,861	25,889
of which external	1,749	5,966	4,328
Underlying EBITDA	1,978	7,679	7,872
Operating income	812	3,414	3,083
Investments	4,455	10,916	4,970
International Carrier			
Net sales	1,204	4,033	3,466
of which external	888	2,823	2,137
Underlying EBITDA	-266	-471	679
Investments	2,602	6,576	1,009
Network wholesaling, Nordic countries			
Net sales	5,722	21,828	22,423
of which external	861	3,143	2,191
Underlying EBITDA	2,244	8,150	7,193
Investments	1,853	4,340	3,961

International Carrier

The Viking Network - Telia's international fiber optic carrier network - was further expanded during the year.

In Europe, the fiber optic network's reach was extended from 4,070 to 13,000 kilometers, while ducts were extended from 1,900 to 5,300 kilometers. Several routes have been rolled out.

Swaps with two American operators during the year gave Telia access to an 18,000-kilometer-long fiber network in the United States. The network is now being

equipped with IP routers and wavelength capacity. The first route between New York and Miami was rolled out in early 2001. Points of Presence (POP) were expanded from 27 to 52.

Telia's strategy is to rapidly establish a high-quality and cost-effective international carrier network. The rapid pace of expansion has made International Carrier into one of the few operators that can offer telephony, IP traffic, and network capacity in its own pan-European infrastructure. International Carrier is also one of the largest carriers of IP traffic over the Atlantic and one of the first European operators to begin doing business in the United States with a wholly owned network.

External net sales rose 32 % during the year. Telephony transport increased by 50 %, while IP transport, which is expected to become one of the two major products along with leasing of IP capacity, climbed by an impressive 270%. Fourth-quarter net sales in the international carrier business rose by 46 %, compared with the corresponding period in the preceding year.

Agreements on infrastructure sales worth MSEK 3,600 were signed during the year. Also closed were a number of agreements on capacity sales worth a total of MSEK 800. In terms of cash flow, payment is received when the facilities are deployed. Payments totaling MSEK 900 were received during the year. Revenues are accrued over the term of the agreement, which is 20 years as a rule. The equivalent value of swaps with other operators is MSEK 2,600. Collocation and service agreements worth MSEK 3,400 were also signed in connection with swaps and sales of infrastructure and capacity.

The international carrier business is in an early stage of development with costs for establishing local technology and sales companies on the domestic markets, and Points of Presence (POP) for connecting customers as well as license fees, all of which encumber earnings. Underlying EBITDA was MSEK -471 for the year.

Investments amounted to MSEK 6,576. The majority was for fiber duct installation, fiber optic cables and wavelength equipment.

Several network routes were taken into service during the year. The fourth quarter saw roll-out of the Scandinavian portion of the Viking Network, Stockholm-Helsinki-Copenhagen-Oslo, as well as the London-Brussels-Amsterdam, Amsterdam-Dusseldorf, Amsterdam-Hamburg, and Helsinki-Haraldsholm routes, and the German domestic portion of the Viking Network.

Continued network expansion is taking place in the Czech Republic, Austria, and Hungary. In partnership with the Russian operator Rostelecom, International Carrier was awarded a license to design a fiber optic cable for the St. Petersburg-Moscow route and an undersea cable connecting Finland, the Baltic States, Poland, and Russia.

Once the entire network has been rolled out, the American portion of the network, which is integrated with the Europe network via the TAT 14 Atlantic cable, will cover 11 of the largest American cities, which account for 75 % of American long-distance traffic.

Telia acquired all operating assets of the American Internet provider AGIS in spring 2000. The acquisition gave International Carrier Tier 1 status in the United States and access to an IP network, which is currently being integrated in stages with the Viking Network.

International Carrier began doing business in an additional ten countries during the year, thus achieving local presence in most European countries and the United States as of the end of the year.

A three-year general agreement was signed with Ericsson in December for the delivery of a global IP based network for Ericsson's internal use.

International Carrier launched global IP-VPN service in early 2001. The service is aimed primarily at Internet Service Providers (ISP), which resell it to end customers.

In February 2001, International Carrier reached an agreement with Sprint. Under the terms of the agreement, Sprint will be using the Viking Network for distribution of IP based services in Europe.

Network Wholesaling, Nordic Countries

The national fiber optic carrier network in Sweden was expanded during the year at a rate of 40,000 kilometers of fiber pairs per month, while simultaneously achieving a substantial increase in the percentage of fiber closest to the customer. There are now complete fiber optic infrastructures in 121 Swedish cities.

The national IP network that is currently being rapidly established, was accessible in 41 municipalities as of year-end. An automatic ADSL delivery system has been built up in order to meet vigorous demand for broadband.

Sales to external customers demonstrated unflaggingly strong upward trends. There was substantial improvement of underlying EBITDA as a result of efficency measures and higher external sales.

The network wholesaling business in Sweden is run under the Skanova brand. Sales in the other Nordic countries are under the Telia brand.

Sales to external operators and service providers of telephony, IP traffic, data communications and network capacity demonstrated unabated strong growth. External net sales in Sweden, Skanova's main market, were MSEK 2,874, an increase of 62 % compared with the preceding year. Volume growth was 80 %. The fourth-quarter increase in net sales to external customers was somewhat lower, at 30 %. The slower rate of growth is due to the impact of the carrier preselect reform passed in autumn 1999, which is now evident in the comparison period as well.

Sales to other Telia business areas declined by 7 %. Weaker internal sales were compensated for mainly through dramatically higher external sales. Skanova's total net sales were MSEK 21,828 for the year, which is on the same level as for the preceding year.

Vigorous efficiency measures and higher external sales served to improve underlying EBITDA by 13 % to MSEK 8,150. Fourth-quarter earnings rose by 40.0 % to MSEK 2,244.

Operating income increased from MSEK 2,524 to MSEK 4,150.

Investments during the year amounted to MSEK 4,340. Substantial investments were devoted to developing the networks in Sweden, aimed chiefly at improving the infrastructure from a circuit-switched network to a packet oriented network, which is more cost-efficient and better equipped to meet market demand for broadband services.

The ATM network, a circuit-switched nationwide network for advanced data communications, was upgraded to higher speeds and further condensed.

An automatic ADSL delivery system has been built up to meet strong demand for broadband from Swedish households. Skanova is increasing delivery capacity in pace with demand. Nearly 40,000 customers had broadband connections via ADSL or LAN by the end of the year.

The majority of household broadband connections are based on ADSL, but Skanova also delivers other solutions, such as a combination of fiber and LAN. LAN solutions were delivered during the year to about 40 building cooperatives.

Skanova and Telenordia reached an agreement in February 2001 on delivery of broadband connections based on ADSL.

The TeleHost service was launched during the year, allowing companies in Sweden to offer fixed telephony as a complement and added value to their other products. Skanova produces, operates, and maintains the service and provides billing data. The service is used by a variety of companies including abonnera.com, HemEl, and Norrköpings Miljö&Energi.

Telia voluntarily opened the access network in Sweden to competing operators and service providers in March 2000. In preparation for the EU directive that will take effect on 2 January 2001, Skanova is reviewing its pricing structure and planning the launch of additional access products including shared lines, which allow operators to lease a share in copper lines for their specific services.

As of March 2001, Skanova is the first Swedish operator to offer IP telephony to broadband providers who connect their customers via LANs.

Business Solutions

The year at Business Solutions was focused on further refining and customizing the product line and achieving more effective marketing. Tremendous energy was devoted to integrating services for fixed and mobile telephony, sound, and data on IP based platforms. New broadband solutions were deployed during the year, including a Virtual Private IP based Network, IP-VPN.

Business Solutions is the dominating broadband player in the Swedish market. Net sales for broadband services were approximately MSEK 2,000 for the year.

Extensive efficiency measures served to successfully maintain earnings and even generate an increase in the fourth quarter, despite deep price reductions.

External sales for Business Solutions declined during the year by 7.1 % for comparable units. The decline in the fourth quarter was at the same level. The decrease in revenues is attributable to substantial price reductions for fixed telephony in Sweden. Prices in Sweden were cut by 12 % during the year.

MSEK	Oct–Dec 2000	Full Year 2000	Full Year 1999
Net sales	3,994	15,531	17,433
of which external	2,884	11,241	12,403
Underlying EBITDA	382	1,171	1,192
Operating income	296	1,602	2,218
Investments	456	3,063	3,066
Sweden			
Net sales	3,784	14,660	16,121
of which external	2,700	10,434	11,022
Underlying EBITDA	426	1,434	1,562
Investments	266	658	330

Business Solutions compensated for the impact of price reductions on earnings through efficiency measures and higher sales of value added services such as TeleMöte, Centrex, and VCC (Virtuella Call Centers), for which sales rose by 40 % for the year. Underlying EBITDA remained level with 1999 and improved in the fourth quarter from MSEK 337 to MSEK 382. Improved profitability in the Danish business and divestiture of losing operations in Norway contributed to the favorable EBITDA trend.

Earnings from associated companies – the fixed network operators in the Baltic Region and Infonet, Unisource, and Eircom – declined during the period from MSEK 1,607 to MSEK 117. The decline is chiefly attributable to Eircom.

Business Solutions is reporting operating income of MSEK 1,602 after earnings from associated companies and non-recurring items. Non-recurring items, mainly capital gains from the sale of operations in Norway, amounted to MSEK 750. Non-recurring items totaled MSEK -218 in the preceding year.

A new Centrex platform that is adapted for IP and allows full integration of fixed and mobile telephony, data communications, and Internet was deployed during the year. The product was enthusiastically received by the market and several large agreements were closed with the City of Stockholm, the Stockholm County Council, and the City of Göteborg. Business Solutions was among the first in the world to provide solutions that link local networks using GSM over IP. Several customers are currently testing the service.

Successful marketing activities were carried out at the end of the year aimed at winning back customers, primarily in the small and medium enterprise segment, who had opted for another operator to provide basic telephony, partly in connection with the carrier preselect reform. A new service deployed during the year, Telia Reflex, provides customers an opportunity to control their telephone usage by reading bills, analyzing traffic, and administering their accounts on the Web. The service has enjoyed a highly favorable market reaction and contributed to making

Business Solutions a more attractive provider of basic telephony.

Business Solutions laid a platform and began development work in the ASP (Application Service Provider) segment during the year. The intent is to develop applications that can be leased over the Internet, with customers paying an hourly rate for use of the application. Demand for these kinds of services is expected to grow as companies begin working in earnest in business-to-business networks.

In order to further enhance expertise in the outsourcing segment, Telia IT Service was transferred from Enterprises to Business Solutions. Telia IT Service specializes in operation of IT and communications systems.

Streaming Media (Internet TV) is flourishing. The service is used by most of the major production companies, including Swedish Radio and Swedish Television.

A joint venture company, Marakanda, was formed with FöreningSparbanken during the year. The company will develop e-business solutions.

Business Solutions introduced a new marketing organization as of January 2001. Telia Partner focuses on integrated solutions in voice, networking, mobile communications, and IT and is designed for customers that need more sophisticated, customized solutions. Telia Online is a sales channel allowing customers to easily and quickly order products and services from the standard range.

People Solutions

Customers are migrating from narrow band to broadband. A number of broadband services were launched during the year, mainly in the games and entertainment segment, as the first step towards development of a multiportal for the Swedish consumer market.

People Solutions has achieved a very competitive market offering by slashing prices and simplifying the price structure.

MSEK	Oct–Dec 2000	Full Year 2000	Full Year 1999
Net sales	4,823	18,337	19,150
of which external	4,379	16,852	17,931
Underlying EBITDA	244	855	1,694
Operating income	183	1,288	1,170
Investments	398	1,052	251
Sweden			
Net sales	4,535	17,469	18,439
of which external	4,123	16,102	17,246
Underlying EBITDA	301	1,046	1,997
Investments	293	807	86

Price reductions and the impact of the carrier preselect reform led to a decline in external net sales of 5.6 % for comparable units in the business area. The fourth-quarter decline was 0.8 %. Net sales of fixed telephony in Sweden, which accounts for approximately 85 % of People Solutions' external net sales, sagged during the year by 8.4 %, mainly due to price reductions. The decline was substantially less in the fourth quarter, at 4.7 %. Measures designed to instill customer loyalty and win back former customers produced results at the same time that the impact of the carrier preselect reform was manifested in comparative figures. The company believes the general price structure will now begin to stabilize.

Demand for Internet access remained strong in the Swedish market. External net sales climbed by 27 %. A service was launched mid-year that allows Duocom customers to add a 64 kbit/s channel to their subscriptions.

External sales in Denmark rose 37 % to MSEK 677 as a result of higher sales of fixed telephony and cable television and the business area's takeover of small business customers from Business Solutions. In Finland, net sales decreased as a result of weaker growth and substantial price cuts.

Underlying EBITDA declined during the year from MSEK 1,694 to MSEK 855. Fourth-quarter underlying EBITDA was MSEK 244, compared with MSEK 333 for the same quarter in the preceding year. Cost reductions and increased sales of value added services and Internet did not fully compensate for the price reductions for fixed telephony and the effects of the carrier preselect reform. Extensive initiatives in development of broadband services were entered on the income statement with a concomitant impact on earnings.

The upgrading of the cable television network in Denmark to provide high speed Internet service, combined with higher costs for customer service and billing in telephony operations, caused a moderate decline in underlying EBITDA. Earnings improved during the year for the Finnish operations.

Earnings from the associated companies Scandinavia Online AB (SOL) and Chili A/S, which both operate portals, improved during the year from MSEK -26 to MSEK 86.

Operating income for People Solutions improved during the year from MSEK 1,170 to MSEK 1,288, mainly due to capital gains of MSEK 527 from the sale of operations in Norway and the cable television business in Estonia.

Concerted efforts were made during the year to rationalize customer service in order to reduce costs and simultaneously improve service by providing a more extensive range of self-service options via telia.se, Mina Sidor ("My Pages"), and automated customer service by phone.

As of year-end, general agreements with rental property owners and building cooperatives comprised a total potential of 822,000 new household connections.

People Solutions has partnership agreements in place concerning development of broadband services with strategic partners including Exent, Vision Park, Electronic Arts, and Microsoft.

The monthly fee for basic telephone service for consumers in Sweden was raised by SEK 20, effective 1 March 2001.

Enterprises

Companies that do not belong to the company's core business have been organized under Enterprises. The following companies were divested during the year: Telia

Contracting, Telia Kompetens, Telia Konferens, IN good company, Svefo, Telia Academy, Smålandsbörsen Data, Starman Kaabeltelevisiooni, System & Service A/S, along with parts of Telia's remaining real estate holdings. Participations in Egmont Online and ADC Telecommunications were also sold. Telia Trading was divested in early 2001.

Eniro AB was listed on the O List of the OM Stockholm Stock Exchange in October 2000. The total issue was 75,150,000 shares, representing 50.1 % of the capital in Eniro. The IPO price was set at SEK 84 per share. Telia raised MSEK 6,114 from the sale, with capital gains of MSEK 6,020. The company exercised its over-allotment option and brought its share of equity down to 49.1 %.

The divestitures led to a decline in net sales for Enterprises during the year. External net sales increased for comparable units by 11 %. The fourth-quarter increase was 7 %. The largest growth was achieved in the units Swedia Networks (network construction), com hem (Swedish cable television business), DRS (call center), and Telia Finans.

MSEK	Oct–Dec 2000	Full Year 2000	Full Year 1999
Net sales	5,941	22,565	21,767
of which external	1,892	7,811	8,778
Underlying EBITDA	636	1,760	2,501
Operating income	5,855	5,373	335
Investments	3,847	7,048	2,540

Underlying EBITDA declined to MSEK 1,760, primarily due to the IPO of Eniro. The decline in underlying EBITDA for comparable units was approximately 6 %. The decline is in large part attributable to developmental initiatives in com hem made to upgrade the cable television network for broadband. As of the end of the year, 193,000 broadband customers had been connected.

Underlying EBITDA improved in Swedia Networks and ProSoft (IT consulting services).

The result from associated companies was MSEK -1,497 compared with MSEK -959 in the preceding year. The Brazilian mobile operator Tess impacted earnings by MSEK –1,630 (MSEK -1,278), while Eniro contributed MSEK 185 in 2000.

A Letter of Intent was signed by the parties in early 2001 on the sale of Tess to Telecom Americas. The company acquired 594,000 new customers in 2000, bringing the customer base to 939,000.

Operating income for Enterprises, which increased strongly during the year, was affected by non-recurring items, mainly capital gains from the IPO of Eniro totaling MSEK 6,174. Net non-recurring items in 1999 were MSEK -7.

The business area's investments increased to MSEK 7,048, primarily due to an increase in the company's stake in Tess (MSEK 4,131). Investments in com hem during the year totaled MSEK 678.

Parent Company

The parent company Telia AB, whose Board of Directors is registered in Stockholm, contains the Group's Swedish operations for fixed network development, construction, and operation, and provides basic production of network services. Service and installation personnel as well as the international carrier business were transferred to subsidiaries effective 1 January 2000 and personnel within network wholesaling operations were transferred as of 1 October. The parent company also comprises Group executive management functions, several support units, and the Group's internal banking operations.

Net sales were MSEK 23,341 (25,983), of which MSEK 20,274 (22,508) was billed to subsidiaries. Earnings before appropriations and tax declined to MSEK 6,335 (8,362), primarily due to reduced Group contributions from subsidiaries. Reported earnings after appropriations and tax were MSEK 5,006 (5,182). Equity was MSEK 36,459 (20,393) and distributable profit amounted to MSEK 12,961 (9,748).

Total assets increased to MSEK 91,494 (74,456). Cash flow from operating activities was MSEK 4,117 (3,502), while operating cash flow was MSEK -20,949 (-5,540). Net debt declined to MSEK 6,463 (11,909). Liquid funds were MSEK 538 (1,368).

The equity/assets ratio (including the equity component of untaxed reserves) improved to 51.9 % (43.8 %).

Total investments were MSEK 20,017 (8,595), including MSEK 4,163 (3,500) in tangible fixed assets, primarily fixed telephony installations. Other investments totaling MSEK 15,854 (5,095) were primarily attributable to capital infusions in subsidiaries and associated companies.

The average number of employees during the year was 3,148 (6,637), of whom 37 (24) % female and 63 (76) % male. The decline in the workforce is due to transfer of operations to subsidiaries.

Outlook

Robust growth in mobile communications, the establishment of Telia in the international carrier market, and new broadband services for the consumer market in Sweden are creating good conditions for sustained revenue growth. We expect the general price structure for traditional fixed services to stabilize compared with the preceding year. Combined with ongoing efficiency measures, we believe that these conditions will contribute to sustained good profitability.

The current streamlining and restructuring of the company will free up resources that will be used to enhance the Group's core business.

Stockholm, 19 February 2001

Marianne Nivert
President and CEO

Group Income Statement

MSEK	Oct-Dec 2000	Oct-Dec 1999	Full Year 2000	Full Year 1999	Full Year 1998
Net sales	14,540	14,887	54,064	52,121	49,569
Costs of production	-8,413	-9,105	-33,028	-31,206	-30,988
Gross income	**6,127**	**5,782**	**21,036**	**20,915**	**18,581**
Selling, administrative, and R&D expenses	-4,079	-3,437	-16,326	-14,887	-15,045
Other operating revenues and expenses, net	6,252	-1,053	8,493	-805	4,388
Share of earnings in associated companies	-370	1,213	-1,197	723	-704
Operating income	**7,930**	**2,505**	**12,006**	**5,946**	**7,220**
Net interest income and expense	-272	-60	-289	34	-77
Income after financial items	**7,658**	**2,445**	**11,717**	**5,980**	**7,143**
Taxes	-247	-676	-1,447	-1,754	-2,092
Minority shares	-3	-14	8	-4	-40
Net income	**7,408**	**1,755**	**10,278**	**4,222**	**5,011**
Earnings per share (SEK)	**2.47**	**0.62**	**3.50**	**1.48**	**1.76**

Quarterly Data

	2000				1999				1998
MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net sales	14,540	13,487	13,180	12,857	14,887	11,771	13,066	12,397	13,864
Underlying EBITDA	3,790	3,180	2,857	3,260	3,343	3,466	3,616	3,634	3,327
Non-recurring items and pensions	6,937	-116	201	1,316	-7	-273	-362	-542	-485
Share of earnings in associates	-370	-759	-710	642	1,213	-153	227	-564	-4
EBITDA	10,357	2,305	2,348	5,218	4,549	3,040	3,481	2,528	2,838
Operating income	7,930	206	488	3,382	2,505	1,150	1,609	682	1,115
Income after financial items	7,658	267	356	3,436	2,445	1,244	1,609	682	1,094
Net income	7,408	172	308	2,390	1,755	869	1,118	480	810

Group Balance Sheet

MSEK	31 Dec 2000	31 Dec 1999	31 Dec 1998
Assets			
Intangible fixed assets	25,198	2,146	1,844
Tangible fixed assets	43,807	33,318	34,801
Financial fixed assets	22,335	18,023	12,553
Inventories etc.	773	971	946
Receivables	29,072	20,369	16,451
Short-term investments	178	1,264	202
Cash and bank deposits	1,352	513	481
Total assets	**122,715**	**76,604**	**67,278**
Equity and liabilities			
Equity	55,988	32,893	29,344
Minority shares	320	210	210
Provisions for pensions	3,525	3,246	1,733
Other provisions	7,826	7,242	6,002
Long-term loans	20,876	9,123	6,491
Current loans	13,166	6,934	7,062
Non-interest-bearing liabilities	21,014	16,956	16,436
Total equity and liabilities	**122,715**	**76,604**	**67,278**

Group Cash Flow Statement

MSEK	Oct-Dec 2000	Oct-Dec 1999	Full Year 2000	Full Year 1999	Full Year 1998
Cash flow from operating activities	**2,767**	**2,546**	**10,152**	**10,398**	**10,397**
Cash flow from investing activities	719	-1,603	-37,121	-10,930	-8,925
Operating cash flow	**3,486**	**943**	**-26,969**	**-532**	**1,472**
Cash flow from financing activities	-3,315	-162	26,818	1,551	-2,439
Cash flow for the period	**171**	**781**	**-151**	**1,019**	**-967**
Net interest-bearing liability, opening balance	**22,340**	**8,545**	**7,527**	**6,767**	**14,609**
Change in net borrowing	-2,401	-1,035	12,429	-753	-2,642
Change in pension liability	296	17	279	1,513	-5,200
Net interest-bearing liability, closing balance	**20,325**	**7,527**	**20,235**	**7,527**	**6,767**

Group Business Areas

Oct–Dec 2000

MSEK	Mobile	Carrier & Net-works	Business Solutions	People Solutions	Enter-prises	Group-wide	**Total for the Group**
Net sales	4,215	6,926	3,994	4,823	5,941	-11,359	**14,540**
External net sales	3,619	1,749	2,884	4,379	1,892	17	**14,540**
Underlying EBITDA	1,191	1,978	382	244	636	-641	**3,790**
Depreciation and write-downs	707	1,183	151	65	289	32	**2,427**
Non-recurring items & pensions	9	19	81	-17	5,937	908	**6,937**
Share of earnings in associates	56	-2	-16	21	-429	-	**-370**
Operating income	549	812	296	183	5,855	235	**7,930**
Investments	1,223	4,455	456	398	3,847	-68	**10,311**
Operating capital	32,551	28,557	10,024	1,767	7,962	-5,819	**75,042**
Number of employees	2,952	3,486	4,586	4,562	13,755	527	**29,868**

Oct–Dec 1999 (pro forma)

MSEK	Mobile	Carrier & Net-works	Business Solutions	People Solutions	Enter-prises	Group-wide	**Total for the Group**
Net sales	2,929	6,706	4,591	4,792	6,872	-11,003	**14,887**
External net sales	2,455	1,425	3,187	4,424	3,399	-3	**14,887**
Underlying EBITDA	1,173	1,676	337	333	816	-992	**3,343**
Depreciation and write-downs	322	1,282	104	38	275	23	**2,044**
Non-recurring items & pensions	8	-28	-27	-151	-139	330	**-7**
Share of earnings in associates	9	0	1,333	-11	-118	–	**1,213**
Operating income	868	366	1,539	133	284	-685	**2,505**
Investments	363	1,922	1,988	63	623	-47	**4,912**
Operating capital	5,333	24,410	10,382	1,579	4,425	-6,969	**39,160**
Number of employees	1,882	3,232	4,760	4,407	15,750	612	**30,643**

Jan–Dec 2000

MSEK	Mobile	Carrier & Net-works	Business Solutions	People Solutions	Enter-prises	Group-wide	**Total for the Group**
Net sales	14,276	25,861	15,531	18,337	22,565	-42,506	**54,064**
External net sales	12,084	5,966	11,241	16,852	7,811	110	**54,064**
Underlying EBITDA	3,353	7,679	1,171	855	1,760	-1,731	**13,087**
Depreciation and write-downs	1,913	4,529	436	180	1,064	100	**8,222**
Non-recurring items & pensions	20	278	750	527	6,174	589	**8,338**
Share of earnings in associates	111	-14	117	86	-1,497	-	**-1,197**
Operating income	1,571	3,414	1,602	1,288	5,373	-1,242	**12,006**
Investments	25,814	10,916	3,063	1,052	7,048	-151	**47,742**
Operating capital	32,551	28,557	10,024	1,767	7,962	-5,819	**75,042**
Number of employees	2,952	3,486	4,586	4,562	13,755	527	**29,868**

Jan–Dec 1999 (pro forma)

MSEK	Mobile	Carrier & Net-works	Business Solutions	People Solutions	Enter-prises	Group-wide	**Total for the Group**
Net sales	10,714	25,889	17,433	19,150	21,767	-42,832	**52,121**
External net sales	8,656	4,328	12,403	17,931	8,778	25	**52,121**
Underlying EBITDA	3,507	7,872	1,192	1,694	2,501	-2,707	**14,059**
Depreciation and write-downs	1,167	4,686	363	140	1,200	96	**7,652**
Non-recurring items & pensions	10	-103	-218	-351	-7	-515	**-1,184**
Share of earnings in associates	108	0	1,607	-33	-959	–	**723**
Operating income	2,458	3,083	2,218	1,170	335	-3,318	**5,946**
Investments	1,318	4,970	3,066	251	2,540	0	**12,145**
Operating capital	5,333	24,410	10,382	1,579	4,425	-6,969	**39,160**
Number of employees	1,882	3,232	4,760	4,407	15,750	612	**30,643**

Enterprises Business Area

Oct–Dec 2000

MSEK	Infomedia	Financial Services	Systems & Support	Interna-tional	IT & Inno-vation	Support & Retail	**Total for the BA**
Net sales	599	296	3,371	175	872	628	**5,941**
External net sales	416	157	1,070	161	36	52	**1,892**
Underlying EBITDA	51	65	314	159	62	-15	**636**
Depreciation and write-downs	39	86	85	28	15	36	**289**
Non-recurring items & pensions	5,999	0	-11	-	-3	-48	**5,937**
Share of earnings in associates	209	-	-	-632	-9	3	**-429**
Operating income	6220	-21	218	-501	35	-96	**5,855**
Investments	432	279	392	2,660	16	68	**3,847**
Operating capital	755	67	2,044	3,393	286	1,417	**7,962**
Number of employees	2,799	481	7,203	492	1,996	784	**13,755**

Oct–Dec 1999 (pro forma)

MSEK	Infomedia	Financial Services	Systems & Support	Interna-tional	IT & Inno-vation	Support & Retail	**Total for the BA**
Net sales	1,923	263	2,971	152	625	938	**6,872**
External net sales	1,908	121	1,096	152	12	110	**3,399**
Underlying EBITDA	586	43	172	-23	71	-33	**816**
Depreciation and write-downs	78	98	17	18	50	14	**275**
Non-recurring items & pensions	-81	–	-47	–	-75	64	**-139**
Share of earnings in associates	13	–	–	-226	1	94	**-118**
Operating income	440	-55	108	-267	-53	111	**284**
Investments	60	113	20	296	123	11	**623**
Operating capital	646	-1	934	959	187	1,700	**4,425**
Number of employees	4,158	462	6,804	781	1,987	1,558	**15,750**

Jan–Dec 2000

MSEK	Infomedia	Financial Services	Systems & Support	Interna-tional	IT & Inno-vation	Support & Retail	**Total for the BA**
Net sales	3,550	1,077	10,657	739	3,186	3,356	**22,565**
External net sales	3,077	492	3,199	655	157	231	**7,811**
Underlying EBITDA	137	382	553	290	247	151	**1,760**
Depreciation and write-downs	167	408	167	111	54	157	**1,064**
Non-recurring items & pensions	6,030	10	71	23	13	27	**6,174**
Share of earnings in associates	201	-	-	-1,719	19	2	**-1,497**
Operating income	6,201	-16	457	-1,517	225	23	**5,373**
Investments	849	574	429	4,490	283	423	**7,048**
Operating capital	755	67	2,044	3,393	286	1,417	**7,962**
Number of employees	2,799	481	7,203	492	1,996	784	**13,755**

Jan–Dec 1999 (pro forma)

MSEK	Infomedia	Financial Services	Systems & Support	Interna-tional	IT & Inno-vation	Support & Retail	**Total for the BA**
Net sales	4,472	1,042	10,192	653	1,908	3,500	**21,767**
External net sales	4,058	361	3,375	541	67	376	**8,778**
Underlying EBITDA	1,174	465	464	-12	94	316	**2,501**
Depreciation and write-downs	272	490	67	86	67	218	**1,200**
Non-recurring items & pensions	16	0	-94	–	1	70	**-7**
Share of earnings in associates	-11	–	–	-1,347	1	398	**-959**
Operating income	907	-25	303	-1,445	29	566	**335**
Investments	185	558	36	1,536	144	81	**2,540**
Operating capital	646	-1	934	959	187	1,700	**4,425**
Number of employees	4,158	462	6,804	781	1,987	1,558	**15,750**

Geographic Segment Breakdown

Jan–Dec 2000

MSEK	Sweden	Other Nordic countries	Baltic region	Rest of world	**Total for the Group**
External net sales	46,469	5,094	137	2,364	**54,064**
Depreciation and write-downs	6,581	1,312	19	310	**8,222**
Share of earnings in associates	219	-9	-206	-1,201	**-1,197**
Operating income	14,274	-256	-160	-1,852	**12,006**
Investments	10,578	25,527	2,865	8,772	**47,742**
Operating capital	26,287	30,739	7,103	10,913	**75,042**
Number of employees	24,905	3,754	173	1,036	**29,868**

Jan–Dec 1999

MSEK	Sweden	Other Nordic countries	Baltic region	Rest of world	**Total for the Group**
External net sales	46,760	3,665	164	1,532	**52,121**
Depreciation and write-downs	6,864	609	14	165	**7,652**
Share of earnings in associates	365	-17	-180	555	**723**
Operating income	6,957	-1,560	-73	622	**5,946**
Investments	6,266	1,133	783	3,963	**12,145**
Operating capital	23,569	3,727	4,089	7,775	**39,160**
Number of employees	25,837	2,755	677	1,374	**30,643**

Notes to the Accounts

Non-recurring items and pensions

MSEK	Oct-Dec 2000	Oct-Dec 1999	Full Year 2000	Full Year 1999	Full Year 1998
Personnel restructuring	–	-327	–	-722	-2,473
Common pension commitments etc.	740	761	854	189	-147
Initial public offering / integration expenses	89	-226	-144	-226	–
Year 2000 compliance	–	-221	–	-604	-548
Capital gains/losses	6,168	2	7,856	582	4,929
Total	**6,997**	**-11**	**8,566**	**-781**	**1,761**
Excluding capital gains in associated companies	6,937	-7	8,338	-1,184	1,761

Fixed assets

	Intangible fixed assets			Tangible fixed assets		
MSEK	31 Dec 2000	31 Dec 1999	31 Dec 1998	31 Dec 2000	31 Dec 1999	31 Dec 1998
Opening balance	**2,146**	**1,844**	**1,566**	**33,318**	**34,801**	**39,239**
Purchases	23,402	708	471	16,084	7,342	7,292
Operations acquired	1,608	15	–	2,116	12	138
Sales/discards	-54	-31	-17	-579	-1,322	-5,253
Divested operations	-1,804	–	–	-72	–	–
Reclassifications	-86	-18	22	54	44	159
Depreciation for the period	-867	-286	-244	-7,352	-7,261	-6,983
Write-downs for the period/reversals of write-downs	-1	-46	–	-36	-115	9
Fixed-asset contributions from cable TV customers	–	–	–	21	45	64
Exchange rate differences	854	-40	46	253	-228	136
Closing balance	**25,198**	**2,146**	**1,844**	**43,807**	**33,318**	**34,801**

Equity

MSEK	31 Dec 2000	31 Dec 1999	31 Dec 1998
Opening balance	**32,893**	**29,344**	**25,487**
Dividend	-1,470	-1,400	-1,210
New share issue	12,750	–	–
Underwriting expenses after tax, posted directly to equity	-231	–	–
Transactions with outside parties	-82	613	–
Share of earnings in companies previously outside the Group	29	–	–
Differences arising from the translation of foreign operations	2,127	19	105
Translation differences after tax on forward contracts used as equity hedge	-306	95	-49
Net income for the period	10,278	4,222	5,011
Closing balance	**55,988**	**32,893**	**29,344**

Changes in share capital

	Number of shares	Par value, SEK/share	Share capital, kSEK	Average number of shares
Share capital, 31 Dec 1998, and 31 Dec 1999	**8,800,000**	**1,000.00**	**8,800,000**	**2,851,200,000**
Stock dividend, 20 May 2000	–	1,036.80	323,840	–
324:1 split, 20 May 2000	2,842,400,000	3.20	–	–
New share issue, settlement date 16 June 2000	150,000,000	3.20	480,000	–
Share capital, 31 December 2000	**3,001,200,000**	**3.20**	**9,603,840**	**2,932,757,377**

Financial debt instruments

	Book value		Market value	
	31 Dec	31 Dec	31 Dec	31 Dec
MSEK	2000	1999	2000	1999
On-balance sheet items				
Long-term loans excl derivatives	21,433	9,134	22,107	9,419
Short-term loans excl derivatives	13,234	6,953	13,483	7,084
Interest swaps, received	-2,033	-843	-2,085	-870
Interest swaps, paid	2,232	1,043	2,342	1,080
Currency swaps, received	-12,458	-5,572	-12,855	-4,896
Currency swaps, paid	11,583	5,188	12,220	4,414
Total	**33,991**	**15,903**	**35,212**	**16,231**
Off-balance sheet items				
Currency derivatives purchased	9,937	3,382	10,114	3,422
Currency derivatives sold	6,662	8,837	6,832	8,874

Contractual investment obligations

	31 Dec	31 Dec
MSEK	2000	1999
Tangible fixed assets	4,235	1,396

Contingent liabilities and assets

	31 Dec	31 Dec
MSEK	2000	1999
Collateral pledged		
Blocked funds in bank accounts	12	41
Real estate mortgages	–	2
Liens on assets	–	7
Shares in associates	–	26
Total	**12**	**76**
Contingent liabilities		
Loan guaranties, completion bonds, etc.	995	1,182
FPG/PRI	165	161
Other contingent liabilities	164	273
Total	**1,324**	**1,616**
Contingent assets		
Client company funds at SPP	–	541
Total	**–**	**541**

Accounting Principles

Consolidated financial statements. The consolidated financial statements for the Telia Group for the fourth quarter and the most recent annual report were prepared in accordance with the Swedish Annual Accounts Act and applying International Accounting Standards (IAS). The accounts for the parent company Telia AB were prepared in accordance with Swedish law and generally accepted accounting principles in Sweden. This report was prepared in accordance with IAS 34 "Interim Financial Reporting."

IAS 39 "Financial Instruments" took effect on 1 January 2001. Application of the standard is not deemed to have any significant effect on Group earnings and financial position.

Leasing. When the Group sold fiber and ducts in the operations of its international carrier business, title was not transferred to the lessee. For such cases, IAS 17 does not provide clear-cut rules on how to classify contracts entered into as financial or operating leases. However, U.S. GAAP (FAS 13) stipulates that title must be transferred for the leasing of real property to be reported as financial leasing. In the interpretation of FAS 66 (FIN 43) it is determined that integral equipment shall be defined as real property. Current practice is that cables and similar equipment are included in integral equipment. Telia decided to report these transactions as operating leases in the consolidated financial statements. Direct expenditures incurred in connection with agreements are capitalized and written off over the term of the agreement.

Securitization. During the first half of the year, some of the Group's leasing receivables were securitized. IAS practice (application of SIC-12) is under preparation. U.S. GAAP (FAS 125) stipulates that leasing receivables be included in the consolidated accounts, with the terms stipulated by the securitization contracts. Telia chose to include the securitized leasing receivables in its consolidated financial statements.

Client Company Funds at SPP. The nominal value of the Group's share of client company funds at SPP is MSEK 535, of which MSEK 121 was settled in cash during 2000. Since the funds may be used during a three-year period, the amount was discounted using an interest factor of 5.5. The discounted amount, MSEK 518 was reported as miscellaneous income and is not included in underlying EBITDA. MSEK 387 is reported as an asset on the balance sheet, divided into current and long-term receivables.

Goodwill NetCom. Depreciation of goodwill arising through the acquisition of NetCom ASA will be recorded over a period of twenty years using the straight line and classified as a production expense.

Pro forma accounts. A new business organization for the Group was progressively implemented in 2000. Accordingly, comparative figures for the business areas in this report have been restated pro forma.

U.S. GAAP. IAS deviates in certain respects from the U.S. GAAP. A complete reconciliation against U.S. GAAP is provided in the Group's annual report. Except for reporting of SPP funds and certain barter transactions, operations during 2000 did not require new reconciliation items.

FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" must be applied for a financial year beginning after 15 June 2000 and may not be applied retroactively. Application of the standard is not

deemed to have any significant effect on Group earnings and financial position.

Related Party Transactions

The Swedish state. The Telia Group's range of services and products is offered to the Swedish state, its agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain government-owned companies conduct business in competition with Telia. Likewise, Telia purchases services from state-owned companies at market rates and on conventional commercial terms. Neither the Swedish government, its agencies, nor state-owned companies represent a significant share of Telia's net sales or income.

Telia pays annual fees to the Swedish National Post and Telecom Agency (PTS) to fund the Agency's activities, as must other operators subject to registration with the PTS. The fee is set at 1.5 thousandths of the sales that the operator has for activities that require a permit.

Eniro. Telia owns an associated company interest in Eniro AB. Several agreements have been established between Telia and Eniro in preparation for Eniro's listing on the OM Stockholm Exchange on 10 October. Telia divested to Eniro all outstanding shares in those subsidiaries active in directory operations, with the exception of Telia InfoMedia Varumärke AB, which owns certain trademarks used in Eniro's operations. Eniro will take possession of the shares in Telia InfoMedia Varumärke during the first quarter of 2001 and has until that time exclusive beneficial rights to the trademarks. In addition, Telia, with its statutory obligation to provide directories containing basic subscriber information to all fixed telephony subscribers in Sweden, appointed Eniro as the official publisher of such information (i.e. the directories Vita Sidorna and Rosa Sidorna). Eniro will receive compensation for this in the amount of MSEK 20 per year starting on 1 July 2000. Furthermore, Telia will, if outstanding shares in the present 49 % holding in the Polish directory company Panorama Polska are acquired, give Eniro an irrevocable option to acquire all shares in said company at market value. Telia has informed Eniro that it has no intention to start up any operations in competition with Eniro for a certain amount of time.

Comsource/Eircom. Telia owns 40 % of the Irish company Comsource UnLtd; KPN of the Netherlands owns the other 60 %. Comsource in turn owns 35 % of the shares in Eircom plc. As of the end of the period, Telia had an outstanding interest-bearing loan to Comsource of MSEK 6,271, provided primarily to finance the company's holdings in Eircom.

*Unisource/*AUCS. Telia previously held equal stakes in Unisource N.V. together with Swisscom and KPN of the Netherlands. All operations in Unisource except for AUCS Communications Services (AUCS) were sold or shut down in 1999. Thus, Unisource received cash and cash equivalents that have now been lent pro rata to the partners pending final closure of the company. Telia's debt to Unisource at June 30 totaled MSEK 3,280. As of 1 July, Unisource was dissolved and all assets were distributed pro rata to a subsidiary of each party, in Telia's case, Telia Telecommunications International B.V. (TTI). Telia's liability is thereby primarily attributable to TTI and is eliminated in the consolidated accounts. Share of earnings in associated companies includes the interest in AUCS starting from the last-mentioned date.

Tess. Telia owns an associated company interest in the Brazilian mobile operator Tess S/A. As of year-end, Telia AB and Telia Overseas AB had two interest-bearing claims on Tess, of MSEK 109 and MSEK 52, respectively.

Other. In addition, Telia buys and sells services and products to a limited extent from these and other associates, in all cases on conventional commercial terms.

Non-Cash Transactions

Scandinavia Online. Telia invested MSEK 153 in the associated company Scandinavia Online AB (SOL) with no cash payment in conjunction with the listing of the company on the stock exchange. Telia received new shares in SOL by converting a claim of MSEK 50 and by contributing all shares in its Finnish subsidiary Telia InfoMedia Interactive Oy, with an assessed market value of MSEK 103. When the other shareholders in SOL contributed to operations, Telia's ownership stake in the company was diluted. Combined with further dilution at the end of the year when SOL acquired a company in consideration of payment in shares, the company realized a non-cash capital gain of MSEK 214.

Altitun. The entire shareholding in Altitun AB was sold for consideration in the form of shares in the listed U.S. company ADS Telecommunications, Inc. In that connection, a non-cash acquisition of MSEK 182 arose, which was realized later in the year.

Tel Investimentos/Eriline/Tess. Telia's Brazilian associated companies Tel Investimentos Ltda. and Eriline Celular S/A own stakes in the operator company Tess S/A, which is also an associated company to Telia. Claims of MSEK 187 against Tel Investimentos, MSEK 235 against Eriline, and MSEK 1,586 against Tess have been converted to shares in each company. Telia Overseas AB made similar conversions of MSEK 114 to shares in Tel Investimentos and MSEK 1,067 to shares in Tess.

Bharti Mobile. Of the opening receivables balance of MSEK 211, MSEK 102 was converted during the year to shares in the Indian associate Bharti Mobile Ltd.

Bank Credit Facilities

Credit limits for two market financing programs were raised during the year. The limit for Euro Medium Term Notes (EMTN) was raised by GUSD 1 to GUSD 2 and for Flexible Term Notes (FTN) by GSEK 4 to GSEK 12.

Two public loans were raised during the year, totaling MEUR 800 within the framework of the EMTN program. The loans are long-term loans with a three-year term to maturity (MEUR 500) and a five-year term to maturity (MEUR 300). Additional long-term borrowing was arranged

in the form of FTN bonds with terms ranging from three to seven years. Short-term loans were also raised during the year, including through the Group's ECP Program. The increase in borrowing was required mainly to pay for the acquisition of NetCom ASA.

The Group's relative costs of borrowing (interest spread) increased during the latter half of the year as a consequence of the signficant financing needs that arose in the telecom sector, primarily due to payment for UMTS licenses in Europe, which had a negative impact on the industry as a whole.

Subscription development [1)]

('000)	Full Year 2000	Full Year 1999	Full Year 1998	Full Year 1997	Full Year 1996
Fixed telephony, PSTN, Sweden	5,783	5,889	5,965	6,010	6,032
Denmark and Finland	362	339	275	181	12
Mobile telephony, Sweden	3,257	2,638	2,206	1,935	1,745
Norway	850	–	–	–	–
Other Nordic countries	446	203	120	–	–
ISDN channels, Sweden [2)]	838	630	424	244	129
Denmark [3)]	108	78	63	11	–
Internet, Sweden	774	613	457	230	105
Cable television, Sweden	1,358	1,348	1,330	1,308	1,291
Other Nordic countries	175	170	164	145	137
Rest of world	83	31	19	7	-

1) For further information: www.telia.com, Investor Relations, Operational data (additional information).
2) Fixed network, cable television and mobile 3) Fixed network and cable television

Definitions

EBITDA. Operating income with depreciation, amortization, and reversals of write-downs.
Underlying EBITDA. EBITDA adjusted for shares in the earnings of associates, capital gains and losses (excl. capital gains or losses in venture capital operations and from telecom investments outside the Nordic countries) and the costs of personnel restructuring (incl. early retirement), common pension obligations, year 2000 compliance, initial public offering, and preparations for the aborted merger with Telenor.
Adjusted equity. Reported equity less the proposed dividend.
Capital employed. Balance sheet total less non-interest-bearing liabilities, non-interest-bearing provisions reported, and the proposed dividend.
Operating capital. Capital employed excluding financial assets but including participations in associated comp anies and non-interest-bearing receivables.
Net interest-bearing liabilities. Interest-bearing liabilities and provisions less interest-bearing assets but including participations in associated companies.
Net borrowings. Interest-bearing liabilities less interest-bearing assets but including participations in associated companies.
Underlying EBITDA margin. Underlying EBITDA as a percentage of net sales.
Asset turnover rate. Net sales divided by the average balance sheet total.
Return on equity. Net income as a percentage of average adjusted equity. For partial years, the return is calculated on a rolling 12-month basis.
Equity/assets ratio. Adjusted equity as a percentage of the balance sheet total.
Debt/equity ratio. Net interest-bearing liabilities divided by adjusted equity.
Interest coverage ratio. Operating income plus financial revenues divided by financial expenses.
Net cash flow. Increase (–) or decrease (+) in net interest-bearing liabilities.
Earnings per share. Net income divided by the weighted average number of shares.
ARPU. Average monthly revenue per subscription.
Churn. Number of customers that have left the company as a percentage of the average number of customers.
Notation conventions. In conformance with Swedish and international standards, this report applies the following notations.

Currencies:	Swedish kronor	SEK
	US dollars	USD
	euro	EUR
Prefixes:	million	M
	billion	G